

CITY OF CHETOPA, KANSAS

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

December 31, 2010

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stafford & westervelt

Stafford & Westervelt, Chartered
Certified Public Accountants

Offices in
Chanute, Parsons and Pittsburg, Kansas
Bentonville and Rogers, Arkansas

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Chetopa, Kansas

We have audited the accompanying financial statements of the City of Chetopa, Kansas, as of and for the year ended December 31, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the management of the City of Chetopa, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Chetopa, Kansas, as of December 31, 2010, or changes in financial position or cash flows thereof for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City of Chetopa, Kansas, as of December 31, 2010, and its cash receipts and expenditures compared to budget, and changes in unencumbered cash balances for the year then ended on the basis of accounting described in Note 1.

Parsons, Kansas
August 30, 2011

Stafford & Westervelt, Chartered

CITY OF CHETOPA, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For The Year Ended December 31, 2010

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GOVERNMENTAL TYPE FUNDS:							
GENERAL FUND	\$ 66,036	\$ -	\$ 365,124	\$ 401,254	\$ 29,906	\$ 14,031	\$ 43,937
SPECIAL REVENUE FUNDS:							
Library	448	-	10,873	11,321	-	-	-
Park Fund	17,588	-	32,434	15,551	34,471	-	34,471
Special City and County Highway	47,034	-	117,705	24,290	140,449	-	140,449
Industrial Development	21,982	-	11,369	22,891	10,460	-	10,460
Fire Fighting Equipment	49,507	-	10,190	28,533	31,164	-	31,164
Employee Benefits	15,659	-	153,201	165,678	3,182	2,207	5,389
Special Law Enforcement	185	-	-	-	185	-	185
Special Liabilities	7,119	-	96,839	88,207	15,751	-	15,751
	159,522	-	432,611	356,471	235,662	2,207	237,869
GOVERNMENTAL TYPE FUNDS:							
ENTERPRISE FUNDS:							
Electric	443,802	-	1,403,489	1,304,007	543,284	88,323	631,607
Garbage and Refuse	110,584	-	121,867	118,482	113,969	7,933	121,902
Water	239,051	-	322,120	420,968	140,203	5,338	145,541
Sewer *	71,977	-	172,858	425,142	(180,307)	67,323	(112,984)
	865,414	-	2,020,334	2,268,599	617,149	168,917	786,066
TOTAL PRIMARY GOVERNMENT	1,090,972	-	2,818,069	3,026,324	882,717	185,155	1,067,872
COMPONENT UNITS: (Note 1)							
Chetopa City Library	20,075	-	17,235	18,918	18,392	406	18,798
Chetopa Historical Society	4,419	-	3,189	3,598	4,010	-	4,010
	\$ 1,115,466	\$ -	\$ 2,838,493	\$ 3,048,840	\$ 905,119	\$ 185,561	\$ 1,090,680
TOTAL REPORTING ENTITY							

* See Note 8.

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH (continued)
For The Year Ended December 31, 2010

COMPOSITION OF CASH:
as of December 31, 2010

PRIMARY GOVERNMENT

Cash in bank:

Chetopa State Bank, Chetopa, Kansas

Main checking	\$ 793,631	
Less outstanding checks	<u>(8,190)</u>	\$ 785,441

Petty cash checking	1,580	
Less outstanding checks	<u>(350)</u>	1,230

Certificates of deposit		281,000
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Cash on hand		<u>200</u>
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Total Primary Government		<u>1,067,871</u>
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*COMPONENT UNITS**Chetopa City Library***Chetopa State Bank, Chetopa, Kansas**

Main checking	820	
SEK Library checking	718	
Library State Aid checking	50	
Improvement fund checking	2,211	

US Bank, Joplin, Missouri

Certificate of deposit	<u>15,000</u> *	18,799
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*Chetopa Historical Society***Chetopa State Bank, Chetopa, Kansas**

Main checking	1,228	
Savings	2,744	
Petty Cash	<u>38</u>	<u>4,010</u>

Total Component Unit		<u>22,809</u>
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TOTAL REPORTING ENTITY		<u>\$ 1,090,680</u>
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*K.S.A. 9-1401 Violation - See Note 8.

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
 SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)

For The Year Ended December 31, 2010

	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
GOVERNMENTAL TYPE FUNDS:					
GENERAL FUND	\$ 479,500	\$ -	\$ 479,500	\$ 401,254	\$ (78,246)
SPECIAL REVENUE FUNDS:					
Library	12,000	-	12,000	11,321	(679)
Park Fund	16,393	-	16,393	15,551	(842)
Special City and County Highway	100,000	-	100,000	24,290	(75,710)
Industrial Development	31,000	-	31,000	22,891	(8,109)
Fire Fighting Equipment	35,200	-	35,200	28,533	(6,667)
Employee Benefits	180,000	-	180,000	165,678	(14,322)
Special Law Enforcement	585	-	585	-	(585)
Special Liabilities	94,000	-	94,000	88,207	(5,793)
	<u>469,178</u>	<u>-</u>	<u>469,178</u>	<u>356,471</u>	<u>(112,707)</u>
GOVERNMENTAL TYPE FUNDS:					
ENTERPRISE FUNDS:					
Electric *	1,298,000	-	1,298,000	1,304,007	6,007
Garbage and Refuse	127,300	-	127,300	118,482	(8,818)
Water	451,887	-	451,887	420,968	(30,919)
Sewer *	212,620	-	212,620	425,142	212,522
	<u>2,089,807</u>	<u>-</u>	<u>2,089,807</u>	<u>2,268,599</u>	<u>178,792</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,038,485</u>	<u>\$ -</u>	<u>\$ 3,038,485</u>	<u>\$ 3,026,324</u>	<u>\$ (12,161)</u>

* See Note 8.

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SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

GENERAL FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 50,483	\$ 56,090	\$ (5,607)
Delinquent Tax	5,644	4,000	1,644
Motor Vehicle Tax	11,063	12,644	(1,581)
Sales Tax	212,026	210,000	2,026
Franchise Fees	13,152	15,000	(1,848)
Fines and Fees	43,429	25,000	18,429
Other Fees and Licenses	624	-	624
Pool Income	2,672	6,000	(3,328)
Interest Income	676	1,000	(324)
Miscellaneous	5,355	1,000	4,355
Transfer In (Note 7)	20,000	80,000	(60,000)
TOTAL CASH RECEIPTS	<u>365,124</u>	<u>\$ 410,734</u>	<u>\$ (45,610)</u>
EXPENDITURES			
General Government	45,712	\$ 60,000	\$ (14,288)
Police	193,816	199,000	(5,184)
Fire Department	7,466	32,000	(24,534)
Streets and Lighting	67,327	76,000	(8,673)
Parks	7,052	39,000	(31,948)
Swimming Pool	21,169	24,000	(2,831)
1st Responder	4,587	10,000	(5,413)
Museum	1,134	1,500	(366)
Court	10,087	-	10,087
Transfer to Parks (Note 7)	32,434	8,000	24,434
Transfer to Special City & County Highway (Note 7)	10,470	30,000	(19,530)
TOTAL EXPENDITURES	<u>401,254</u>	<u>\$ 479,500</u>	<u>\$ (78,246)</u>
Receipts (Under) Expenditures	(36,130)		
Unencumbered Cash, Beginning	<u>66,036</u>		
Unencumbered Cash, Ending	<u>\$ 29,906</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

LIBRARY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 8,086	\$ 8,985	\$ (899)
Delinquent Tax	876	500	376
Motor Vehicle Tax	<u>1,911</u>	<u>2,235</u>	<u>(324)</u>
TOTAL CASH RECEIPTS	<u>10,873</u>	<u>\$ 11,720</u>	<u>\$ (847)</u>
EXPENDITURES			
Appropriations	<u>11,321</u>	<u>\$ 12,000</u>	<u>\$ (679)</u>
TOTAL EXPENDITURES	<u>11,321</u>	<u>\$ 12,000</u>	<u>\$ (679)</u>
Receipts (Under) Expenditures	(448)		
Unencumbered Cash, Beginning	<u>448</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

PARK FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Transfer In - (Note 7)	\$ 32,434	\$ 8,000	\$ 24,434
TOTAL CASH RECEIPTS	<u>32,434</u>	<u>\$ 8,000</u>	<u>\$ 24,434</u>
EXPENDITURES			
Commodities	5,598	\$ 4,000	\$ 1,598
Contractual	9,953	1,000	8,953
Capital Outlay	-	11,393	(11,393)
TOTAL EXPENDITURES	<u>15,551</u>	<u>\$ 16,393</u>	<u>\$ (842)</u>
Receipts Over Expenditures	16,883		
Unencumbered Cash, Beginning	<u>17,588</u>		
Unencumbered Cash, Ending	<u>\$ 34,471</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

SPECIAL CITY AND COUNTY HIGHWAY FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
State of Kansas	\$ 107,235	\$ 35,490	\$ 71,745
Transfer In - (Note 7)	<u>10,470</u>	<u>30,000</u>	<u>(19,530)</u>
TOTAL CASH RECEIPTS	<u>117,705</u>	<u>\$ 65,490</u>	<u>\$ 52,215</u>
EXPENDITURES			
Contractual	38	\$ 32,500	\$ (32,462)
Commodities	24,252	50,000	(25,748)
Capital Outlay	<u>-</u>	<u>17,500</u>	<u>(17,500)</u>
TOTAL EXPENDITURES	<u>24,290</u>	<u>\$ 100,000</u>	<u>\$ (75,710)</u>
Receipts Over Expenditures	93,415		
Unencumbered Cash, Beginning	<u>47,034</u>		
Unencumbered Cash, Ending	<u>\$ 140,449</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

INDUSTRIAL DEVELOPMENT FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 5,029	\$ 5,166	\$ (137)
Motor Vehicle Tax	1,140	1,356	(216)
Loan Repayment	-	10,000	(10,000)
Donations	<u>5,200</u>	<u>-</u>	<u>5,200</u>
 TOTAL CASH RECEIPTS	 <u>11,369</u>	 <u>\$ 16,522</u>	 <u>\$ (5,153)</u>
 EXPENDITURES			
Industrial Promotion and Development	<u>22,891</u>	<u>\$ 31,000</u>	<u>\$ (8,109)</u>
 TOTAL EXPENDITURES	 <u>22,891</u>	 <u>\$ 31,000</u>	 <u>\$ (8,109)</u>
 Receipts (Under) Expenditures	 (11,522)		
 Unencumbered Cash, Beginning	 <u>21,982</u>		
 Unencumbered Cash, Ending	 <u>\$ 10,460</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
 SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

FIRE FIGHTING EQUIPMENT FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 266	\$ 294	\$ (28)
Delinquent Tax	3	-	3
Fire Contracts and Miscellaneous	<u>9,921</u>	<u>-</u>	<u>9,921</u>
TOTAL CASH RECEIPTS	<u>10,190</u>	<u>\$ 294</u>	<u>\$ 9,896</u>
EXPENDITURES			
Contractual	<u>28,533</u>	<u>\$ 35,200</u>	<u>\$ (6,667)</u>
TOTAL EXPENDITURES	<u>28,533</u>	<u>\$ 35,200</u>	<u>\$ (6,667)</u>
Receipts (Under) Expenditures	(18,343)		
Unencumbered Cash, Beginning	<u>49,507</u>		
Unencumbered Cash, Ending	<u>\$ 31,164</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

EMPLOYEE BENEFITS FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 55,561	\$ 61,733	\$ (6,172)
Delinquent Tax	5,761	2,500	3,261
Motor Vehicle Tax	14,143	16,749	(2,606)
Miscellaneous	17,736	24,000	(6,264)
Transfer In (Note 7)	<u>60,000</u>	<u>70,000</u>	<u>(10,000)</u>
 TOTAL CASH RECEIPTS	 <u>153,201</u>	 <u>\$ 174,982</u>	 <u>\$ (21,781)</u>
 EXPENDITURES			
Contractual	<u>165,678</u>	<u>\$ 180,000</u>	<u>\$ (14,322)</u>
 TOTAL EXPENDITURES	 <u>165,678</u>	 <u>\$ 180,000</u>	 <u>\$ (14,322)</u>
 Receipts (Under) Expenditures	 (12,477)		
 Unencumbered Cash, Beginning	 <u>15,659</u>		
 Unencumbered Cash, Ending	 <u>\$ 3,182</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

SPECIAL LAW ENFORCEMENT FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
CASH RECEIPTS	\$ -	\$ 500	\$ (500)
TOTAL CASH RECEIPTS	-	\$ 500	\$ (500)
EXPENDITURES	-	\$ 585	\$ (585)
TOTAL EXPENDITURES	-	\$ 585	\$ (585)
Receipts Over Expenditures	-		
Unencumbered Cash, Beginning	185		
Unencumbered Cash, Ending	\$ 185		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

SPECIAL LIABILITIES FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 31,830	\$ 35,365	\$ (3,535)
Delinquent Tax	4,063	-	4,063
Motor Vehicle Tax	8,946	10,510	(1,564)
Transfer In (Note 7)	<u>52,000</u>	<u>20,000</u>	<u>32,000</u>
 TOTAL CASH RECEIPTS	 <u>96,839</u>	 <u>\$ 65,875</u>	 <u>\$ 30,964</u>
 EXPENDITURES			
Contractual	<u>88,207</u>	<u>\$ 94,000</u>	<u>\$ (5,793)</u>
 TOTAL EXPENDITURES	 <u>88,207</u>	 <u>\$ 94,000</u>	 <u>\$ (5,793)</u>
 Receipts Over Expenditures	 8,632		
 Unencumbered Cash, Beginning	 <u>7,119</u>		
 Unencumbered Cash, Ending	 <u>\$ 15,751</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

ELECTRIC FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Sales and Fees	\$ 1,389,317	\$ 1,380,000	\$ 9,317
Interest Income	2,272	525	1,747
Deposits Received	<u>11,900</u>	<u>11,000</u>	<u>900</u>
TOTAL CASH RECEIPTS	<u>1,403,489</u>	<u>\$ 1,391,525</u>	<u>\$ 11,964</u>
EXPENDITURES			
Personal Services	118,093	\$ 90,000	\$ 28,093
Contractual	98,584	120,000	(21,416)
Capital Outlay	-	40,000	(40,000)
Commodities	944,930	840,000	104,930
Deposit Refunds	10,400	8,000	2,400
Transfers Out (Note 7)	<u>132,000</u>	<u>200,000</u>	<u>(68,000)</u>
TOTAL EXPENDITURES *	<u>1,304,007</u>	<u>\$ 1,298,000</u>	<u>\$ 6,007</u>
Receipts Over Expenditures	99,482		
Unencumbered Cash, Beginning	<u>443,802</u>		
Unencumbered Cash, Ending	<u>\$ 543,284</u>		

* See Note 8.

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SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

GARBAGE AND REFUSE FUND
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Fees	\$ 121,191	\$ 110,000	\$ 11,191
Interest Income	676	1,000	(324)
TOTAL CASH RECEIPTS	<u>121,867</u>	<u>\$ 111,000</u>	<u>\$ 10,867</u>
EXPENDITURES			
Personal Services	49,726	\$ 48,000	\$ 1,726
Contractual	43,351	43,000	351
Commodities	9,603	20,000	(10,397)
Debt Service	15,802	16,300	(498)
TOTAL EXPENDITURES	<u>118,482</u>	<u>\$ 127,300</u>	<u>\$ (8,818)</u>
Receipts Over Expenditures	3,385		
Unencumbered Cash, Beginning	<u>110,584</u>		
Unencumbered Cash, Ending	<u>\$ 113,969</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

WATER FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Sales and Fees	\$ 316,896	\$ 311,500	\$ 5,396
Interest Income	1,199	1,000	199
Deposits Received	4,025	3,500	525
Transfer In (Note 7)	-	13,500	(13,500)
TOTAL CASH RECEIPTS	<u>322,120</u>	<u>\$ 329,500</u>	<u>\$ (7,380)</u>
EXPENDITURES			
Production			
Personal Services	89,407	\$ 115,000	\$ (25,593)
Commodities	61,222	75,000	(13,778)
Contractual	36,714	125,000	(88,286)
Distribution			
Commodities	12,421	-	12,421
Contractual	62,746	-	62,746
Administration			
Contractual	12,018	-	12,018
Debt Service	138,749	134,387	4,362
Deposit Refunds	3,450	2,500	950
Sales Tax	1,877	-	1,877
Water Protection Fees	2,364	-	2,364
TOTAL EXPENDITURES	<u>420,968</u>	<u>\$ 451,887</u>	<u>\$ (30,919)</u>
Receipts (Under) Expenditures	(98,848)		
Unencumbered Cash, Beginning	<u>239,051</u>		
Unencumbered Cash, Ending	<u>\$ 140,203</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

SEWER FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For The Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Customer Charges	\$ 172,630	\$ 172,900	\$ (270)
Interest Income	228	250	(22)
Transfer In (Note 7)	-	3,000	(3,000)
TOTAL CASH RECEIPTS	<u>172,858</u>	<u>\$ 176,150</u>	<u>\$ (3,292)</u>
EXPENDITURES			
Personal Services	33,677	\$ 60,500	\$ (26,823)
Commodities	1,025	10,200	(9,175)
Contractual	364,139	51,300	312,839
Capital Outlay	-	41,000	(41,000)
Debt Service	26,301	49,620	(23,319)
TOTAL EXPENDITURES *	<u>425,142</u>	<u>\$ 212,620</u>	<u>\$ 212,522</u>
Receipts (Under) Expenditures	(252,284)		
Unencumbered Cash, Beginning	<u>71,977</u>		
Unencumbered Cash, Ending	<u>\$ (180,307)</u>		

* See Note 8.

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

COMPONENT UNITS (NONBUDGETED)
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For The Year Ended December 31, 2010

	Chetopa City Library	Chetopa Historical Society
CASH RECEIPTS		
City of Chetopa	\$ 11,320	\$ 2,900
SEK Library	4,394	-
State of Kansas	693	-
Donations	295	276
Interest Income	533	13
	<hr/>	<hr/>
TOTAL CASH RECEIPTS	17,235	3,189
	<hr/>	<hr/>
EXPENDITURES		
Personal Services	10,832	-
Contractual	1,259	3,598
Commodities	6,827	-
	<hr/>	<hr/>
TOTAL EXPENDITURES	18,918	3,598
	<hr/>	<hr/>
Receipts (Under) Expenditures	(1,683)	(409)
Unencumbered Cash, Beginning	<hr/> 20,075	<hr/> 4,419
Unencumbered Cash, Ending	<hr/> \$ 18,392	<hr/> \$ 4,010

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 1. FINANCIAL REPORTING ENTITY

The City of Chetopa is a municipal corporation governed by an elected seven-member council. These financial statements present the City of Chetopa (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Units

The component unit section of these financial statements includes the financial data of the discretely presented component units. The component units are reported separately to emphasize that they are legally separate from the City. The governing bodies of the component units are appointed by the City.

Library Board

The City of Chetopa Library Board operates the City's public library. The library board is appointed by the City. Acquisition and disposition of real property by the board must be approved by the City. Bond issuance must also be approved by the City.

Historical Society Board

The City of Chetopa Historical Society Board operates the museum. The historical society board is appointed by the City. Acquisition and disposition of real property by the board must be approved by the City. Bond issuance must also be approved by the City.

NOTE 2. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

FUND DESCRIPTIONS

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City for the year of 2010:

GOVERNMENTAL FUNDS:

GENERAL FUND--to account for all unrestricted resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS--to account for the proceeds of specific revenue sources (other than major capital projects) which are restricted by law or administrative action to expend for specified purposes.

ENTERPRISE FUNDS--to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 2. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (continued)

ENTERPRISE FUNDS (continued)

goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash-basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c) waiving the requirement for application of accounting principles generally accepted in the United States of America (GAAP) and allowing the City to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted In The United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, prepaid expense; liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.

Capital Assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

Reimbursed Expenses

The City records reimbursable expenditures (or expense) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 2. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (continued)

Vacation, Sick Leave and Other Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not accumulate, are lost if not used without council approval and are recorded as expenditures when they are paid.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of expenditures and encumbrances and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenditures during the reporting period. Actual results could differ from these estimates.

NOTE 3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and enterprise funds. The statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

1. Preparation of budget for the succeeding year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budgets for the following funds were amended during the year:

	<u>Original Budget</u>	<u>Amended Budget</u>
Water	\$ 376,887	\$ 451,887
Electric	\$ 1,268,000	\$ 1,298,000
Sewer	\$ 103,620	\$ 212,620
Fire Equipment Reserve	\$ 28,200	\$ 35,200
Special Parks	\$ 12,393	\$ 16,393

The statutes permit transferring amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 3. BUDGETARY INFORMATION (continued)

expenditures. Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

All legal annual operating budgets are prepared using the statutory basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, and certain special revenue funds. For funds which are not subject to the legal annual operating budget requirement, spending is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City and its component units. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's and its component units investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements, and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk: State statutes place no limit on the amount the government may invest in any one issuer as long as the investments are adequately secured under K.S.A 9-1402 and 9-1405.

Custodial credit risk for deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits be entirely covered by federal depository insurance (FDIC) or by collateral held under a joint custody receipt issued by a bank within the state of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 4. DEPOSITS AND INVESTMENTS (continued)

At year-end the carrying amount of the City's deposits (and its component units), including certificates of deposit, was \$1,090,442. The bank balance was \$1,098,982. The difference between the carrying amount and the bank balance is outstanding checks. The bank balance was held by two banks, resulting in a concentration of credit risk. Of the bank balance \$269,395 was covered by FDIC insurance and \$829,587 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank and the independent third-party bank holding the pledged securities.

NOTE 5. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Chetopa, Kansas, contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for 2010 was 6.14% and 7.14%. The City of Chetopa's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$30,776, \$25,478 and \$23,530, respectively, equal to the required contributions for each year as set forth by legislature.

NOTE 6. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City continues to carry commercial insurance for all other risks of loss, including fire, theft, accident and liability. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 7. INTERFUND TRANSFERS

The operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>KSA Authority</u>
Electric	General	\$ 20,000	12-825d
Electric	Employee Benefits	\$ 60,000	12-825d
Electric	Special Liabilities	\$ 52,000	12-825d
General	Park	\$ 32,434	12-1,117
General	Special City & County Highway	\$ 10,470	12-1,117

NOTE 8. COMPLIANCE

The Electric fund expenditures exceeded budget by \$6,007, a violation of K.S.A. 79-2935. The City Library has funds deposited in an out of state bank, a violation of K.S.A. 9-1401. * No other violations were known.

NOTE 9. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of the subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

- * Due to expenditures on a major sewer project, the sewer had a negative ending cash balance at year-end, which is a violation of K.S.A. 10-1113. Funds to cover the balance were received after the beginning of the year.

CITY OF CHETOPA, KANSAS

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 10. LONG-TERM DEBT

Change in long-term debt liabilities for the City for the year ended December 31, 2010, were as follows:

ISSUE	Interest Rate	Date of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases									
Fire Truck Pump	5.00%	05/29/01	06/07/11	\$ 11,160	\$ -	\$ 11,160	\$ (11,160)	\$ -	\$ 217
First Responder Unit	5.00%	01/23/02	07/23/11	6,767	-	6,767	(6,767)	-	104
Trash Truck	5.00%	03/06/07	03/06/12	28,879	-	12,425	(12,425)	16,454	1,161
Truck/City Barn	5.00%	08/21/07	08/21/12	6,620	-	6,620	(6,620)	-	28
Ford F-150 Truck	5.40%	03/28/08	03/10/13	16,384	-	4,762	(4,762)	11,622	711
Backhoe	5.00%	05/28/08	06/06/13	41,935	-	11,245	(11,245)	30,690	1,841
2001 Ford Expedition	5.00%	08/12/08	08/06/11	5,025	-	2,965	(2,965)	2,060	184
2003 Freightliner FL80 (Fire)	5.00%	04/08/10	04/08/20	-	80,000	4,176	75,824	75,824	2,613
Kansas Department of Health & Environment									
Revolving Loan Fund Project C20 1340-01	3.47%	11/12/96	03/01/18	152,114	-	16,805	(16,805)	135,309	5,134
Water Supply Loan Project 2188	3.59%	05/05/06	02/01/25	1,300,774	-	76,059	(76,059)	1,224,715	45,834
Revenue Bonds	4.75%	12/21/98	12/01/39	127,000	-	2,100	(2,100)	124,900	6,033
TOTAL BONDED INDEBTEDNESS				<u>\$1,696,658</u>	<u>\$ 80,000</u>	<u>\$ 155,084</u>	<u>\$ (75,084)</u>	<u>\$1,621,574</u>	<u>\$ 63,860</u>

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.

CITY OF CHETOPA, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 10. LONG-TERM DEBT (continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2043</u>	<u>Total</u>
PRINCIPAL								
Capital Leases								
Trash Truck	\$ 13,061	\$ 3,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,454
Ford Truck	5,005	5,260	1,357	-	-	-	-	11,622
Backhoe	11,820	12,422	6,448	-	-	-	-	30,690
2001 Ford Expedition	2,060	-	-	-	-	-	-	2,060
2003 Freightliner FL80 (Fire)	6,542	6,867	7,228	7,598	7,987	39,602	-	75,824
Kansas Department of Health & Environment								
Revolving Loan Fund Project C20 1340-01	17,393	18,002	18,632	19,284	19,959	42,039	-	135,309
Water Supply Loan Project 2188	65,701	68,082	70,548	73,103	75,751	421,956	449,574	1,224,715
Revenue Bonds								
Revenue Bonds	2,200	2,300	2,400	2,500	2,700	15,400	97,400	124,900
TOTAL PRINCIPAL	123,782	116,326	106,613	102,485	106,397	518,997	546,974	1,621,574
INTEREST								
Capital Leases								
Trash Truck	526	29	-	-	-	-	-	555
Ford Truck	467	212	11	-	-	-	-	690
Backhoe	1,266	663	94	-	-	-	-	2,023
2001 Ford Expedition	39	-	-	-	-	-	-	39
2003 Freightliner FL80 (Fire)	3,642	3,317	2,956	2,586	2,198	4,532	-	19,231
Kansas Department of Health & Environment								
Revolving Loan Fund Project C20 1340-01	4,546	3,937	3,307	2,655	1,980	1,838	-	18,263
Water Supply Loan Project 2188	43,384	41,003	38,537	35,982	33,334	123,467	41,306	357,013
Revenue Bonds								
Revenue Bonds	5,933	5,828	5,719	5,605	5,486	25,398	49,652	103,621
TOTAL INTEREST	59,803	54,989	50,624	46,828	42,998	155,235	90,958	501,435
TOTAL PRINCIPAL AND INTEREST	\$ 183,585	\$ 171,315	\$ 157,237	\$ 149,313	\$ 149,395	\$ 674,232	\$ 637,932	\$ 2,123,009

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT.